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CAPITOL JOURNAL; Lockyer shows right stuff for top job

By: George Skelton

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Whether or not state Treasurer Bill **Lockyer** runs for governor, he doesn't intend to make the same fatal political mistake that his predecessor did: become the Democrats' loudest advocate for a tax increase.

A state treasurer doesn't have an ounce of power to raise taxes, **Lockyer** notes. That's a function of the dysfunctional Legislature and governor. So why should a treasurer try to lead a crusade for higher taxes?

"It adds more to your public persona than it produces some result," he says.

Former Treasurer Phil Angelides displayed courage and honesty in repeatedly promoting tax hikes to improve education, transportation, healthcare and water facilities. But he left himself vulnerable to demagogic attacks by Gov. Arnold Schwarzenegger and wound up being trampled by the incumbent in last year's gubernatorial race.

Lockyer, 66, a possible gubernatorial candidate when Schwarzenegger is termed-out in 2010, is much more serene and subtle than Angelides in recommending how Sacramento should fix its fiscal mess and prepare for the onslaught of tens of millions more Californians.

From his rather obscure treasurer's platform, **Lockyer** on Monday released a thoughtful, informative, nerdy report examining the state's budget deficit and borrowing needs 20 years into the future.

His ruminations come from knowledge compiled over a 34-year career in elective state office, including eight years as attorney general and 25 in the Legislature, the last four as leader of the Senate.

Even so, I pointed out to him, revenue and spending numbers change every two days at the Capitol. How can anyone project 20 years into the future? "We stretched the trend line," he said, assuming there'd be no major changes in taxes or spending.

He found an average annual budget deficit of 3.5%, which is perfectly fixable. But nobody's fixing it.

"They need to make some decisions," **Lockyer** said, referring to the governor and legislators. "They aren't easy choices. . . but they've just got to make some decisions."

The treasurer -- who's basically the state banker -- said he didn't know any other way to make ends meet than to do what Govs. Ronald Reagan and Pete Wilson did when they confronted gaping budget holes: raise taxes and restrain spending. "Both sides need to make concessions. That's the only way you get the two-thirds vote" needed in the Legislature.

"There's something I don't fully understand going on in the Republican Party," he told me. "It may be that Republican leaders don't know what they stand for anymore. All they have left is, 'We're opposed to taxes.' That's it. It's the mantra."

I asked Assembly GOP leader Mike Villines of Clovis about that. "To the contrary," he asserted, "Republicans stand for individual liberties, smaller government and lower taxes. Democrats only seem to stand for raising taxes."

Lockyer listed a menu of options, none of which he endorsed. "I'm just trying to provoke some thought," he said. His suggestions included:

- * Advocating national universal healthcare, which would relieve the state of medical costs.
- * Reducing prison recidivism, saving up to \$684 million annually.
- * Eliminating state support for the University of California, pocketing \$7 billion a year. (Never happen.) "That's one I like least," **Lockyer** says.
- * Collecting sales taxes owed on Internet and mail order purchases, generating \$670 million annually.
- * Extending the sales tax to services. That could raise \$10 billion a year.
- * Boosting income taxes on the wealthy, possibly netting \$4.5 billion.
- * Limiting the home mortgage deduction to \$35,000, good for \$460 million.
- * Suspending some corporate tax loopholes, saving \$1 billion.

That list is heavy on tax hikes. After all, **Lockyer** is an old school, pro-labor Democrat.

One main point that **Lockyer** stressed was that California's infrastructure is decaying and needs to be repaired and expanded. It was built for 25 million people, we're at 37 million now and there'll be 60 million by 2050. But public works projects compete with other government services -- education, healthcare, prisons and parks -- for scarce tax dollars.

Sure, infrastructure is paid for with borrowed money, but that doesn't make it any more free than personal credit card purchases. The state will spend \$5.3 billion on bond payments in the next fiscal year, even without any additional borrowing authorization by voters.

"Clearly, the state will not be able to afford both debt service and operating expenditures for programs unless it addresses the substantial, persistent [budget] imbalance," **Lockyer's** report warned.

"There should be no sacred cows. . . . We must take a hard look at how we raise revenues, how we spend that money, how we pay for infrastructure and how we structure our debt."

Lockyer does know what he's talking about. He needs no tutoring, instructional manuals or cheat sheets. It might be good to have a governor like that, someone who actually knows where to "take a hard look" for a fiscal fix.

The then-attorney general geared up to run against Schwarzenegger in 2006 and was the Democratic front-runner, but dropped out, saying he didn't want to spend the next 10 years "in partisan hand-to-hand combat." He'd also recently remarried and had an infant son.

In 2010, **Lockyer** could have an easy reelection bid for treasurer. Or he could go for broke and battle it out in a crowded Democratic primary for governor. Potential entries include Atty. Gen. (and former Gov.) Jerry Brown, Lt. Gov. John Garamendi, Supt. of Public Instruction Jack O'Connell, San Francisco Mayor Gavin Newsom and Los Angeles Mayor Antonio Villaraigosa. All have baggage or handicaps.

Lockyer has \$9.9 million stashed in a campaign kitty and veteran Democratic strategist Bill Carrick on retainer. Will he run?

"It just depends on how the cards get dealt," he told me.

"With the current list of characters, I just don't see how it's possible to beat Jerry in a primary. The Brown name is so strong."

He has roughly two years to decide.

But **Lockyer** is gearing up again, positioning himself toward the center and sounding sage, not shrill.